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Resist the temptation to offer plan "B"

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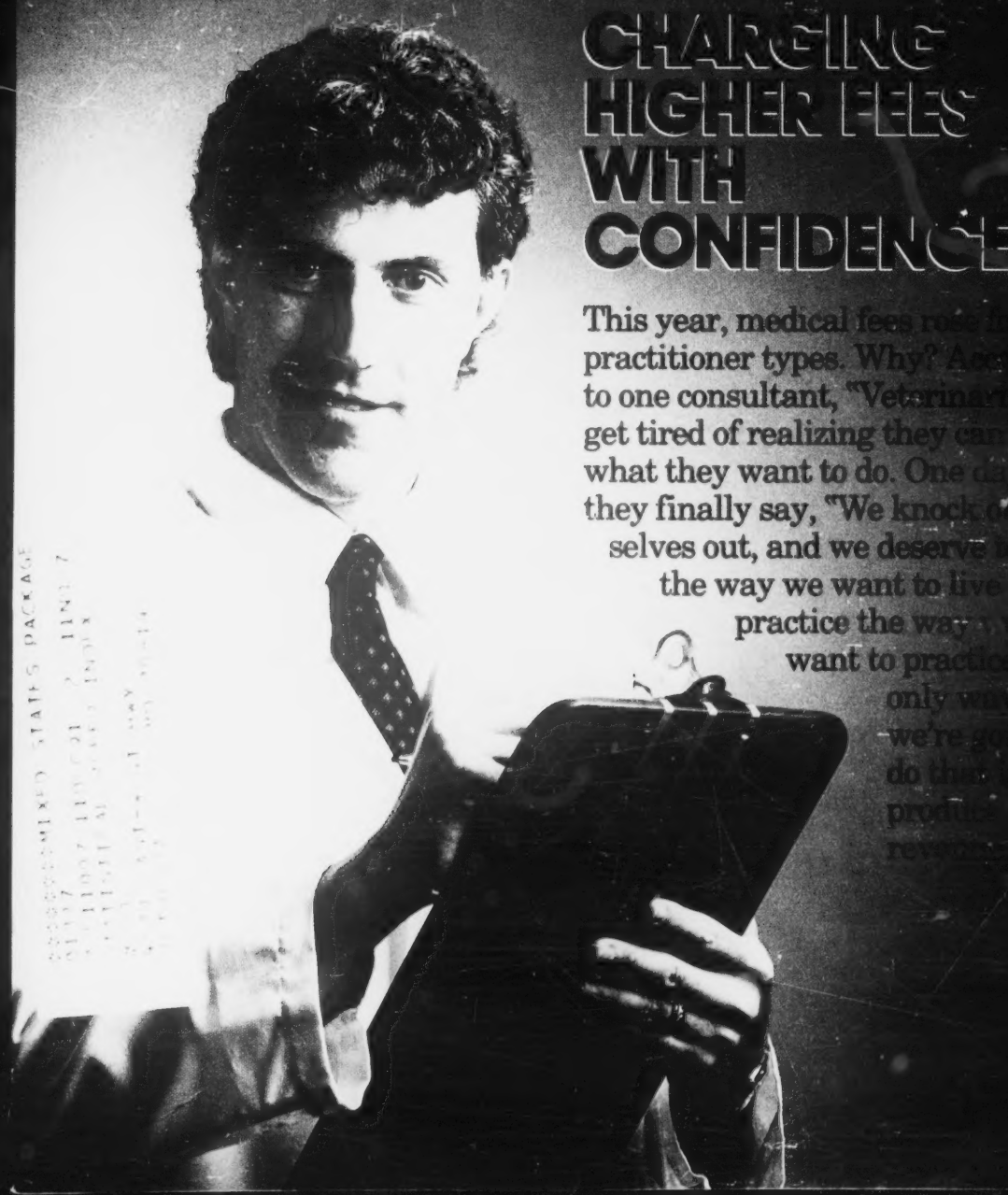
OCTOBER 1991

veterinary economics

THE MAGAZINE OF PRACTICE MANAGEMENT AND FINANCE



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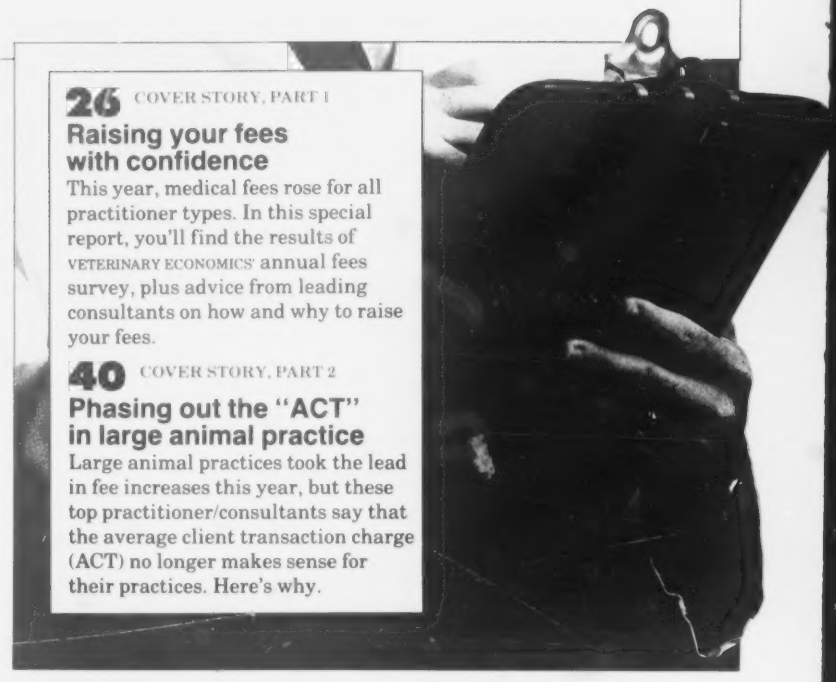

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MEMO FROM THE EDITOR

You tell me, please

Willy, my ferocious little kitty, tried to maim a veterinarian the other day. I'd taken him in for his shots, and while his mild-mannered sister Bear purred her way through her exam, he sat in his box, ready to kill.

Judging from the growls coming from his carrier, somebody was going to get bitten that day. I wasn't too excited about the prospects, and neither was the veterinarian. Willy, needless to say, was terrified. I suppose we could have wrestled him into place, scared the bejeezus out of the clients waiting outside, and bandaged up any bites. The doctor, however, said no.

The stress on Willy would be too much, she said; the risk to us, too great. Calling in a technician would spare me, but no one else. Her solution? A house call. A few days later, the doctor met Willy on his own turf. Hardly the tough guy he'd pretended to be, he now had a chance to prove that he can purr even louder than he can growl. The exam he got on the living-room floor seemed an awful lot like attention; not only did he like the doctor, I think he wanted to go home with her.

I probably shouldn't say this before I get the bill, but I don't care what the doctor charges. Willy doesn't care either; in fact, he'd probably give up eating *and* attention (for a day or so) to avoid being stuffed back into his carrier for another round of shots. As it turns out, he doesn't have to give up anything *or* even leave the house—and that's a break for all of us. I've never really liked the term "value-added service," but now at least I know what it means.

In this issue, you'll find a lot about confidence, fees, service, and client acceptance. I don't think I'm alone in wanting my veterinarian to tell me what's best. I'm also not alone in my willingness to pay for service that is so obviously beneficial to me, and to Willy and Bear. Of course, my dog, Cardozo, *loves* going to the doctor—all those friendly people, all those other dogs to sniff. Prancing around in public is Cardozo's greatest joy, which means he needs a different kind of service altogether. The good news is that from my veterinarian, he gets just what he needs.

Becky Turner

Rebecca R. Turner

veterinary economics

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Dennis M. McLaughlin

Controller/Business Manager: Cary Seem

Editorial and sales office:
9073 Lenexa Drive
Lenexa, KS 66215
(913) 492-4300

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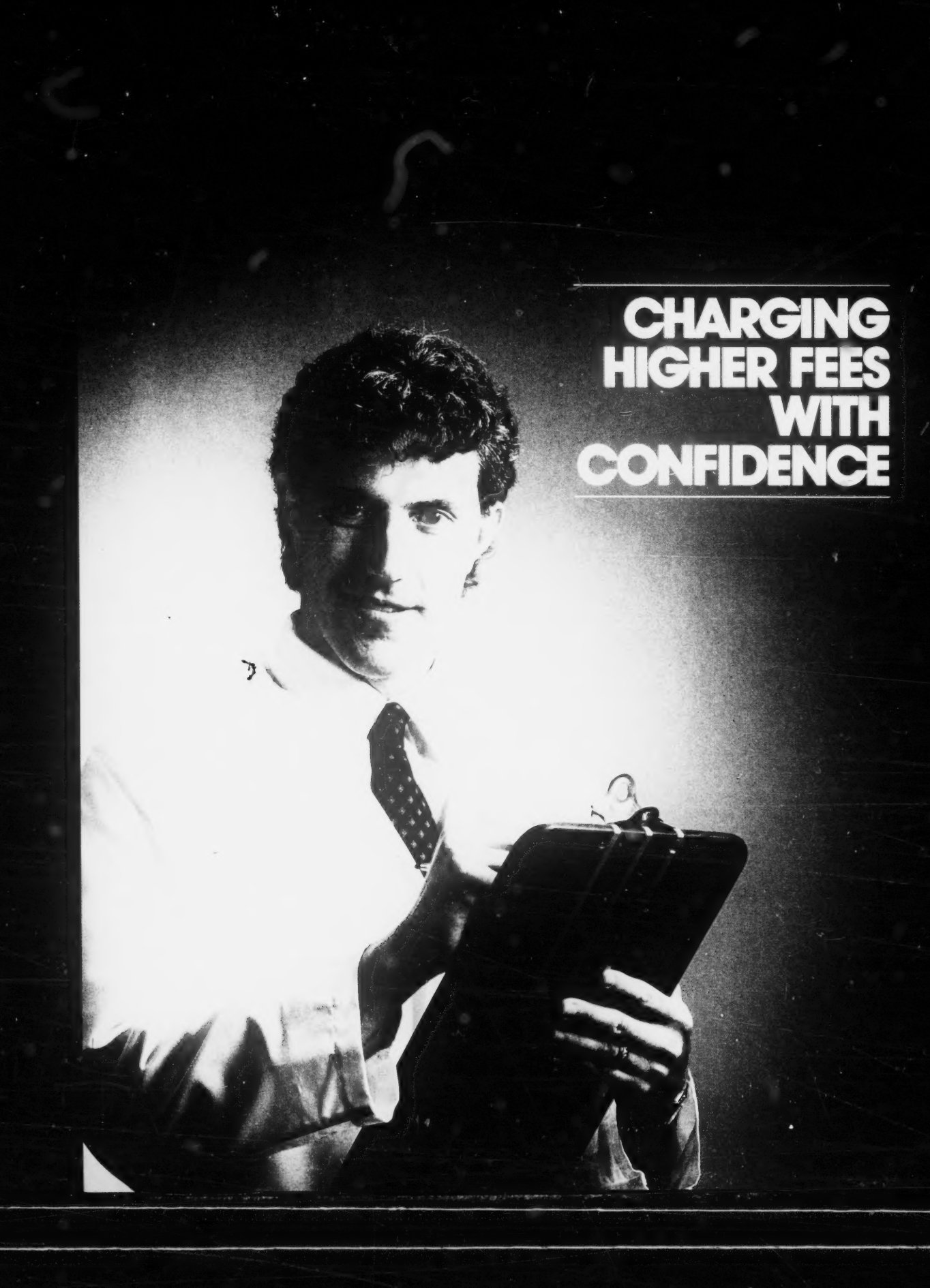

CHARGING
HIGHER FEES
WITH
CONFIDENCE

This year, medical fees rose for all practitioner types. Why? According to consultant David Gallagher, "Veterinarians get tired of realizing they can't do what they want to do. One day, they finally say, 'We knock ourselves out, and we deserve to live the way we want to live, and to practice the way we want to practice, and the only way we're going to do that is to produce the revenue.'"

By John Lofflin

THE AUTHOR, a contributor to THE NEW YORK TIMES, teaches journalism at Park College, in Parkville, Mo.

Crossing the threshold to higher fees takes time, Gallagher adds. In fact, it took the doctors in one of his client practices four years to significantly raise their fees. Starting in 1986, the doctors inched their fees upward: 4.1 percent in 1987, 6.53 percent in 1988, 7.04 percent in 1989, but only 2.9 percent in 1990. Gallagher tried not to nag, but he knew they should be charging more for the work they did.

At the close of 1990, the message finally sunk in: The practice made a 21-percent leap in fees. "They finally crossed the threshold," he says, "and accepted the belief that they're worth it. They bridged the gulf at the beginning of 1991, and they aggressively attacked their fees."

These doctors weren't alone. According to the 1991 VETERINARY ECONOMICS financial survey, almost all fees for veterinary procedures and drugs increased in 1991. Large animal practitioners led the charge, raising their average client transaction charge (ACT) for clinical procedures more than 40 percent. Mixed animal practitioners reported raising their clinical ACT more than 12 percent; small animal practitioners more than 9 percent; and equine practitioners more than 25 percent. (See the charts that begin on page 28.)

The economy plays a role

Consultant Dr. Tom Catanzaro offers another perspective. He says that the fee increases are probably reactions to economic conditions, rather than personal reevaluations of veterinary worth. Large animal doctors, he says, reacted to higher prices in the food animal sector; small animal practitioners reacted to the recessionary pressures felt by their clients.

"Clients are being more selective in accessing veterinary health care," Dr. Catanzaro says. "Even some of the good clients are opting, for instance, to waive dentistry." He adds that summertime gas-price increases in 1990 made clients in the Southeast edgy about obtaining extra veterinary care; when gas prices settled later in the year, war-related recession fears caused more problems. With fewer clients spending less money, Dr. Catanzaro reasons, practitioners had to raise their fees to stay ahead.

"The only way veterinary practices could make their overhead was to increase their fee schedules," he says. "Veterinary practices don't live on a high net, so when the economy takes away client flow and reduces the number of visits, the only way a veterinarian can make it up is in the average client transaction charge."

How's your ACT?

The VETERINARY ECONOMICS survey asks practitioners to give their ACT for clinical procedures and drugs, their ACT for merchandised products, and their total ACT. The question isn't more specific because, according to most consultants, no one formula for calculating the ACT makes sense for every practice. ▶

FEES

WHY ARE PRODUCT FEES DOWN?

While the ACT for clinical procedures and drugs rose across the board, the ACT for merchandised products *fell* for all but equine doctors. Why the difference? Dr. Tom Catanzaro, Golden, Colo., thinks merchandising averages dropped mostly on paper—or computer disk—because veterinarians began recording them differently. "Cross-selling is the reason," he says. "Previously, merchandising fees were something the staff did, but now we're seeing practitioners wanting to sell everything at one time. So they're recording it into the average client transaction while the people are there. Veterinarians are simply more aware of their product lines and including them within the basic transaction."

Dr. Sam Strahm speculates that large animal practitioners are feeling competitive pressure to lower prices on merchandised products. Says the Pawhuska, Okla., practitioner: "There are just so many places out there to buy these products; when you're involved in selling them, you understand why veterinarians would lower their merchandise prices. The question is, do you sell a large quantity of product at a 10-percent markup, or nothing at a 20-percent markup?"

	Average client transaction fee for:			
Practice type	Clinical procedures and drugs		Merchandised products	
All DVMs	$43.00	+8.6%*	$15.70	−23%*
Small animal	$44.50	+9.3%	$14.20	−10.7%
Mixed animal	$32.90	+12.7%	$14.00	−14.1%
Large animal	$68.00	+40.8%	$35.00	−0.6%
Equine	$58.30	+25.6%	$20.30	+2.5%

*Percent change from 1990.
All figures are 1991 means (averages).

It is possible, however, to determine *averages*; the 1,200 doctors who responded to the survey report a total average client transaction charge, which includes clinical procedures, drugs, and merchandised products, of $54.90. That's a 17-percent increase over last year's figure of $46.90.

Although he feels that the figures are interesting and worthwhile, consultant Don Dooley warns against getting upset if your figures don't exactly match those provided by the survey respondents: "Comparisons to average figures outside the practice will either make veterinarians feel good when they probably shouldn't, or make them want to slit their wrists when they're actually doing well," he says.

Gallagher points out, however, that the ACT is still a valuable diagnostic tool *if you compute it exactly the same way each time.* When consistently computed, the ACT can be a tracking device for setting fees at the level you decide is appropriate for your practice and your livelihood. He explains the procedure:

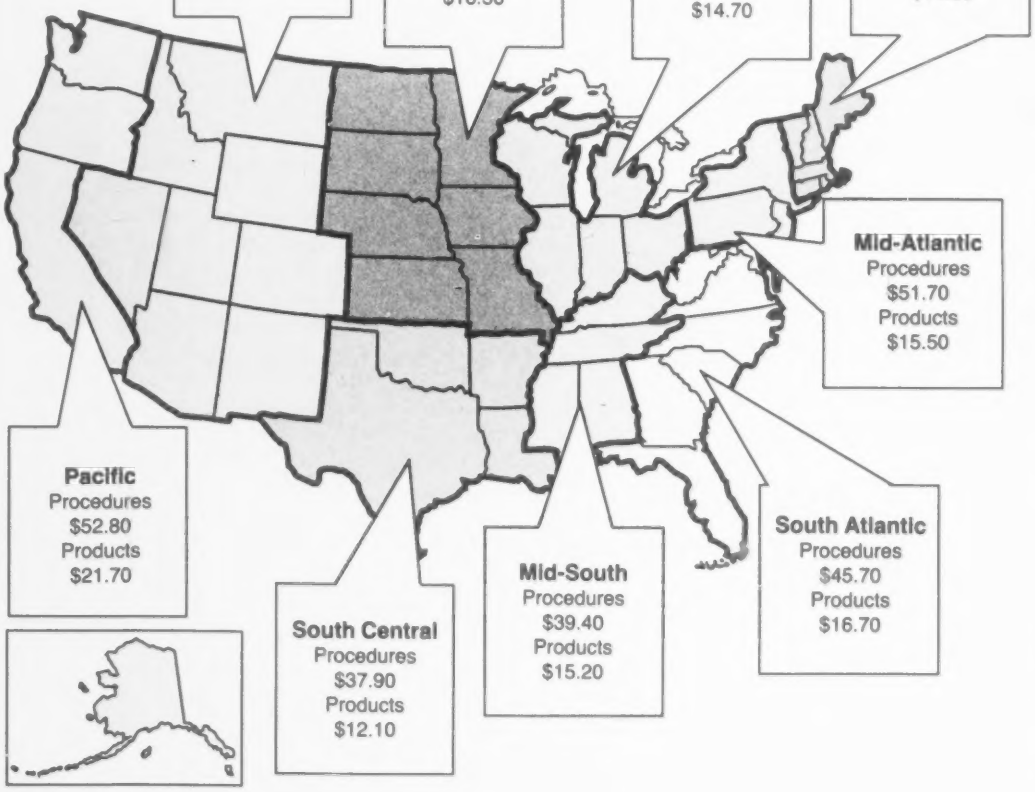
1. Determine what you want to spend in each expense category, including your income, new equipment, continuing-education expense, and so on.

2. Calculate how much total revenue you need in the practice to meet these expenses.

3. Examine your activity levels and what your average transaction fee has been.

4. Based on the upward or downward trends in those activity

A REGIONAL LOOK AT CHARGES*



*"Procedures" refers to the average client transaction charge for clinical procedures and drugs. "Products" refers to the average client transaction charge for merchandised products.
All figures are 1991 means (averages).

levels, project your activity levels for the coming year.

5. From these projections, divide the total number of anticipated client visits into the total revenue stream that's needed. "That will show you what the average transaction charge needs to be," Gallagher says.

6. Set your fees at a level that will produce the necessary revenue stream, given the volume of activity. Gallagher cautions, however, not to achieve the ACT level by simply raising fees a flat percentage across the board. Instead, he suggests you focus mostly on "the type of fees that don't attract attention." The process, he says, requires consistent fine-tuning.

For example, when you're ready to adjust your revenue stream, start with the extra dollars you'll need to bring your gross income up to the projected level. "Let's say you're projecting an increase of 200 client visits," Gallagher says. "Multiply last year's ACT by 200; that's the additional revenue you'll make with no change in fees. Subtract that figure from the amount of extra dollars you think you'll need. Now you know the actual amount you have to generate either by charging for services you're not charging for now, or by increasing fees for existing services," he says.

"Say you need an additional $30,000," he continues. "If you had 6,000 office calls last year, and you increase the fee for office calls by $1, you'll raise $6,000 of that $30,000. You can go through your fee schedule and identify the number of service episodes occurring in each line, then selectively raise fees with the confidence that the additional revenue will actually occur."

7. Finally, he says, monitor your ACT monthly, "tweaking" the charges up or down to meet your expectations.

From math to mind

The process described above, Gallagher says, is the mechanical, mathematical side of the fee-raising process. The psychological side, however, isn't nearly as straightforward. He explains:

"What commonly happens is that veterinarians at first aren't willing to increase their fees to the extent necessary to achieve the revenue stream they need. Then from month to month, they see their actual results relative to their budgeted results, and realize that, because the revenue stream is not where it needs to be, they're unable to do the things they said they want to do.

"After a couple of years, I think they get psychologically tired of realizing they can't do what they want to do. One day they finally say, 'We knock ourselves out, and we deserve to live the way we want to live, and to practice the way we want to practice, and the only way we're going to do that is to produce the revenue.'"

Dooley, who is based in Los Gat-

KEEP PRICE RESISTANCE IN PERSPECTIVE

In the October 1988 issue of VETERINARY ECONOMICS, consultant David Gallagher said that in 15 years of working with veterinarians, *he had never seen a significant decline in volume after prices were increased.* Today, as he nears the end of his second decade as a consultant, he's still never seen a significant decrease in volume when other practice factors remained the same.

His conclusion? That veterinarians' fears about price shoppers are overblown. Practitioners, he says, tend to generalize from a few specific rejections, and thereby sense more price resistance than actually exists. If, for example, the receptionist tells the doctor that one client complained, or one phone shopper had a negative reaction, the doctor thinks the whole world is price-conscious.

Gallagher maintains that only a small percentage of the market for veterinary services consists of "shoppers," a segment most practitioners can do without. Selling veterinary services, he points out, isn't like selling a tangible product. Customers may shop for detergent and buy it where it's cheapest. But where veterinary care is concerned, they typically consider other factors; among them, convenience and perceived quality of care.

os, Calif., is convinced the psychological resistance to raising fees is so strong that practitioners will cheat on the very fee schedules they so laboriously adjust.

"I don't think fee schedules have any significance or relevance to charges or income," Dooley argues. "A long time ago, I lost interest in the paperwork. Now, my interest has gone to the philosophical and psychological problems that are creating these situations in practices. If it were a mechanical problem, it would be easy to fix. I'm not anti-computer, but many people will go out and spend money on a computer and assume they've bought a machine that will fix their problem.

"Usually, their problem is philosophical, and you can't fix a philosophical problem with a machine. As soon as they get the computer and discover you can lie to it, and it doesn't hit you, they go ahead and lie to it."

Those lies, he contends, stem from a practitioner's preconceived notion of the worth or cost of a specific procedure or office visit. "I've literally seen a practitioner sit down at the computer and force a charge on a surgical procedure," Dooley explains. "He wants the total charge to be $150; $50 of that was surgery, $35 was anesthesia, $45 was lab work. So he's got $20 left to cover two injections, take-home medication, the hospital stay, and the office visit. So he charges for the office visit and just doesn't tell the computer he did all those other things."

A partial solution, he says, is for another staff member to enter the charges based on the doctor's medical chart. Doing so, however, is only effective if someone else gives the estimate before the procedure. Dooley says that practitioners are just as likely to discount upfront as they are later on.

"I had a veterinarian one time whose shaved estimates and shaved fees were costing him a lot of money," Dooley says. "He said, 'I can't stand rejection. Just the thought of somebody yelling at me would shatter me for weeks.' I told him I could document that his policy of shaving fees was costing him about $50,000 a year. 'Wouldn't that be worth taking a chance of being rejected?' I asked, and he said, 'Absolutely not; if it's only costing me $50,000 a year, it's worth every penny.' "

Dooley also recounts the story of a veterinarian who told him that she wants her clients "to be my friends." "After two years in practice, she is working herself very hard, and she hasn't broken even yet. I asked her about her fees, and she handed me a year-old schedule. She told me the injection fee was about $12, but the fee schedule quoted $16."

For a higher average client transaction charge, Dooley's advice is to "tighten up" by charging for everything you do, rather than by simply increasing your fees. Just tell the client "my accountant says I've got to charge for everything," he suggests. ▶

FEES

MOST DVMs CHARGE $50 OR MORE

Half of the 1,200 survey respondents fall at the high end of the average-client-transaction-charge scale.

Total average transaction charge*	Percent of veterinarians
Less than $20	2.3%
$20-$29	6.7%
$30-$39	17.3%
$40-$49	23.7%
$50 or more	50.1%

Mean charge: $55

*Includes clinical procedures, drugs, and merchandised products.

> Veterinarians don't realize that practice inflation marches on at 12 percent a year.

Proaction, not reaction

Dr. Catanzaro, whose consulting firm is based in Golden, Colo., sees three ways to boost the ACT:

1. Adjust drug and other supply charges monthly, using the replacement cost rather than the procurement cost.

2. For items and services you prefer to discount or give away, indicate their full value on the invoice anyway, so that the client is *aware* of that value.

3. Adopt an approach to fees and services that emphasizes value.

He explains: "Actually, I think practitioners are getting better at setting fees. The better practices are pricing their markup based on the replacement price, not procurement price. When they buy a two-month's supply and get a bargain on it, they don't price it two times the purchase price; they look at the projected replacement price and go two times that.

"We're also seeing veterinarians start charging for things they've been giving away. They're finally figuring out that autoclave and surgery packs cost money, as do support functions in the pharmacy. We know that baths cost money. So now, when animals leave boarding, we assess a 'half-price' fee for a bath—and it's not an option. What that really means is that I used to do it for free and now I'm going to charge for it. Charging 'half price' gives the client a value-added statement."

Communication is the key to making a value-added approach work, he says, because the entire concept is dependent on client perceptions. You can charge more for a service if clients perceive that they are getting more for their money.

"We take for granted that clients know what we do for them, when they really don't have the foggiest," Dr. Catanzaro says. "Letting the client know what we're doing is really essential to their perception of value. In the value-added approach, you break down programs —geriatric programs, for instance. We know that these older animals need an X-ray, ECGs, and laboratory baseline profiles.

"So we offer the client these things by saying, 'Do you want to do them all today? Do you want to do them every week? Every two weeks? Once a month? Once a quarter?' We give them the options on how to spread out the program, not whether to access the care. We know they don't have a lot of money in their pockets at one time."

Elation and inflation

Dr. Gerry Snyder's reaction to the news that practitioners have raised their fees: "Thank God." One reason the Pompano Beach, Fla., small animal practitioner and practice consultant is so thankful, he explains, is because veterinarians often don't realize how high inflation is in their profession. They would, he says, if they examined their expenses more often.

"Veterinarians should realize that expenses are not events that occur quarterly, monthly, or annually according to the profit-and-loss statement," he says. "They're ongoing, continual, and ever-increasing. The average inflation rate at a veterinary hospital is 12 percent." Compute the inflation rate for yourself, he suggests, by comparing the percentage of gross income you spent this year on the cost of doing business with the percentage you spent last year.

"It makes no sense to listen to the newspapers or the radio about what inflation is for your car dealer, or the bakery, or the fish market," he says. "You don't sell those items. Inflation marches on at about 12 percent nationally for veterinarians, and a 1-percent ACT increase per month should just about cover it."

Like Gallagher, Dr. Snyder argues for a selective adjustment of fees to avoid unacceptable increases in "shopped items." He suggests professional help from your accountant, adding that too many veterinarians don't even ask their accountants to help them selectively raise fees to reach a specific ACT level. "If our accountants never hear us ask for any further services, they assume that the minimal services they are providing are more than enough to compensate for their monthly stipend," he says.

Raising fees eight-tenths of 1

SMALL ANIMAL PRACTITIONERS' FEES

	Fee	Percent change[1]
Total average client transaction fee[2]	$54.90	1.9%
Office call (includes exam)	$20.80	3.5%
Lab analysis:		
Urinalysis	$16.80	26.3%
Fecal	$9.40	5.6%
Serum chemistry profile	$34.10	−2.8%
CBC	$18.20	1.1%
Heartworm test	$15.10	−2.6%
Feline leukemia test	$21.60	0.9%
Vaccinations:		
Dog	$30.80	7.3%
Cat	$29.30	6.2%
Fee for procaine penicillin G injection:		
30-lb dog	$11.10	11%
8-lb cat	$10.00	3.1%
Hospitalization (including daily exam and boarding):		
30-lb dog	$20.10	4.7%
8-lb cat	$18.30	4%

	Fee	Percent change[1]
Daily boarding:		
30-lb dog	$9.60	14.3%
8-lb cat	$7.80	13%
Ovariohysterectomy (inc. anesthesia and hosp.):		
30-lb dog	$80.80	4.3%
8-lb cat	$63.90	5.3%
Diagnostic X-ray series (including sedation):		
2 or fewer films	$54.60	−0.5%
3-6 films	$87.70	2.1%
Procedures and treatments:		
Heartworm treatment	$182.80	−6.9%
Dental scaling (dog, no extractions)	$57.30	8.3%
Dental scaling (cat, no extractions)	$56.20	**
Deworm 30-lb dog	$14.60	15%
Deworm 8-lb cat	$11.70	20.6%

[1]Percent increase or decrease from 1990 figures.
[2]Includes clinical procedures, drugs, and merchandised products.
**Not available.
All figures are 1991 means (averages).

WHAT DOES IT ACTUALLY COST TO DO A SPAY?

By Gordon W. Robinson, VMD

Many well-intentioned humane societies and animal protection/rights groups think that veterinarians can and should perform spays for $35 to $45. The problem, however, is that no practice can perform a safe, sterile abdominal operation for that amount.

The following is the itemized cost of performing a spay at the Bergh Memorial Animal Hospital (BMAH) of the ASPCA, a not-for-profit humane society veterinary hospital in New York City. The BMAH charges considerably less than cost for animals under five years—$50 for a cat spay and $60 for a dog spay. We emphasize that it is a *subsidized birth-control program*, not a low-cost surgery program. The fee to spay an animal more than 5 years old is two to three times the subsidized fee.

The cost for a private practitioner would be considerably higher, because the non-profit, tax-exempt BMAH doesn't pay real-estate tax or corporate income tax, nor is equipment cost, mortgage cost, or return on investment factored into the cost.

The author is the hospital director of the Bergh Memorial Animal Hospital in New York City.

	Cat	Dog
1. Clerical time:		
Telephone time (information, make appt.)	15 min	15 min
Admit (register client, retrieve record)	15 min	15 min
Discharge (collect fee, prepare spay certificate, file record)	15 min	15 min
Stitch removal (make appt., retrieve and refile record)	15 min	15 min
Total clerical time	60 min	60 min
Total clerical cost (based on $8/hour):	$8.00	$8.00
2. Veterinarian's time:		
Pre-admission clinical examination	15 min	15 min
Anesthetizing	5 min	10 min
Surgery	30 min	45 min
Post-operative care, treatment, telephone calls, etc.	15 min	15 min
Check-up and examination upon discharge	10 min	10 min
Re-examination and suture removal	5 min	5 min
Cost based on the average salaries of staff veterinarians: $22/hr, or 37 cents/minute	$29.60	$37.00
3. Surgery technician's time:		
Record-keeping	10 min	10 min
Animal anesthesia/surgical prep	15 min	30 min
Surgical material preparation (laundry, prep of packs, autoclaving, etc.)	15 min	30 min
Cost based on $10/hr, or 17 cents/minute	$6.80	$11.70
4. Hospital technician's time:		
Admit, feed, clean cage, discharge	60 min	60 min
Cost based on $8/hr	$8.00	$8.00
5. Cost of anesthetic materials:	$4.00	$8.00
6. Cost of other materials: (injectables, gauze, sutures, surgical soaps, germicide, drapes, caps, masks, gowns, gloves, etc.)	$6.00	$9.00
7. Cost of feeding and bedding:	$2.00	$3.00
Total labor and material costs	**$64.40**	**$84.70**
8. Overhead cost at 30% (employee benefits, utilities, maintenance, insurance, record systems, accounting, purchasing, payroll, inventory, etc.)	**$19.32**	**$25.41**

TOTAL COST PER ANIMAL: CAT = $83.72 DOG = $110.11

percent each month rather than 10 percent each year has a positive side effect, Dr. Snyder says. "After a half-dozen of these small incremental increases, the veterinarians give up, and when a client asks what a procedure costs, they reach for the fee schedule to find out the answer to the question," he says with a wry chuckle.

"That reinforces the idea that the doctor is a doctor and really doesn't know what the fees are. The client thinks, 'He doesn't know the price, but he's nice enough to look it up for me. If he doesn't know what the fees are, he must have nothing to do with setting them.' And that is exactly what we want the client to perceive."

Editor's note: All of the "fees" charts in this article are based on VETERINARY ECONOMICS' *1991 financial survey of the veterinary profession. For information on how the survey was conducted, see the September issue, page 33.* ■

EQUINE PRACTITIONERS' FEES

	Fee	Percent change[1]
Total average client transaction fee[2]	$71.30	15.9%
Office call (includes exam)	$25.40	7.2%
Lab analysis:		
Coggins test	$17.50	−3.8%
Fecal	$9.70	16.9%
CBC	$17.70	−4.8%
Vaccination	$21.60	−8.1%
Farm call:		
Mileage charge (cents per mile)	$0.85	−15%
Exam charge per animal	$17.90	4.7%
Average total charge per animal[3]	$57.50	29.8%
Radiography:		
Two views	$37.00	5.1%
Navicular series (per foot)	$58.00	3.2%

	Fee	Percent change[1]
Hospitalization (including daily exam and boarding)	$21.70	−6.9%
Fertility workup (female)	$89.30	9.6%
Breeding soundness exam (male)	$128.70	7.2%
Lameness exam	$35.30	6.6%
Procedures and treatments:		
Deworming (one time)	$16.40	−2.4%
Castration	$109.30	4.3%
Float teeth	$24.40	−3.6%
Suture skin laceration (per half hour)	$54.30	−5.2%
Intensive neonatal care (one-day)	$179.50	46.3%
Medical treatment for colic (exc. exam)	$70.30	−0.6%

[1]Percent increase or decrease from 1990 figures.
[2]Includes clinical procedures, drugs, and merchandised products.
[3]Includes all medical work performed.
All figures are 1991 means (averages).

PHASING OUT THE "ACT" IN LARGE ANIMAL PRACTICE

Large animal practices took the lead in fee increases this year, but these top practitioner/consultants say that the average client transaction charge (ACT) no longer makes sense for their practices. Here's why.

By John Lofflin

Dr. Sam Strahm practices at the southern edge of the Kansas Flint Hills in Pawhuska, Okla. He says he can keep better track of his large animal practice's productivity with hourly fees than with an ACT, but even the hours fail to accurately measure the difference, say, between working a herd of cattle and working a herd of buffalo.

Dr. Jenks Britt operates a dairy practice in western Kentucky. His practice, like most others in the area, uses either an hourly fee, a retainer fee, or a herd health program, none of which, he says, computes to an ACT.

"We're doing management medicine or production medicine today," he says. "We've found that we have to be more than just sick-animal specialists. To justify the fees we charge, we have to be interested in the client's economics. We have to understand nutrition; we have to understand the mastitis and milking equipment; and we have to understand general dairy management.

"Probably 75 percent of dairy practitioners are offering some program in production management. It might be only reproductive management, but most progressive dairy practitioners are now trying to offer the total package."

Dr. Britt explains that a sophisticated herd management program tracks its own success, and justifies in black and white the value the practitioner adds to the farmer's operation. "We might go to a farm and do reproductive management, and at the same time do a milking-machine evaluation, or at least check pulsators and air flow from the vacuum controller standpoint.

"We also might dehorn and vaccinate the replacement heifers due to be done that month, and then go to the house or to the farm office and work on rations or nutrition for 30 minutes. And most practitioners are doing what we call herd monitoring, which is simply sitting down and looking at the production records and the economics of production on the farm. We then generate graphs and reports either by hand or by computer so that both the practitioner and the producer have a history of where the farm has been and a prediction for where it is going."

The total service package, Dr. Britt contends, is one reason dairy practitioners have been able to increase their fees significantly in recent years. The question is, what will happen now that milk prices have plummeted as much as 35 percent?

Dr. Britt speculates that both veterinarians and clients will have to pay more attention to economics. "I think all dairy practitioners will lose some clients this year, because some dairy farms are bound to go out of business," he says. "But what we usually find is that as clients go out, we end up doing more work for the clients we have left. We find we're billing more hours. We try to do as much work as we can on a farm per visit."

"Raising fees is a difficult question to approach, but first you have to evaluate what you're doing against other professions," he continues. "It's not unusual for a tractor mechanic to get $30 per hour —and that's billed from the time he leaves his shop until he gets back. I think we have to charge a fair fee, but we also have to give the client

THE AUTHOR, a contributor to THE NEW YORK TIMES, teaches journalism at Park College, Parkville, Mo.

LARGE ANIMAL PRACTITIONERS' FEES

	Fee	Percent change[1]
Total average client transaction fee[2]	$95.40	24.2%
Office call (includes exam)	$18.00	−2.2%
Fecal	$8.80	57.1%
Vaccinations:		
Beef cow	$6.40	88.2%
Dairy cow	$5.30	39.5%
Feedlot steer	$5.00	35.1%
Calf	$3.90	11.4%
Farm call:		
Mileage charge (cents per mile)	$0.91	−9%
Exam charge per animal	$14.50	59.3%
Average total charge per animal[3]	$30.40	39.4%
Consultation fee	$41.60	−13.2%

	Fee	Percent change[1]
Procedures and treatments:		
Mastitis treatment	$31.40	28.7%
Breeding soundness exam	$47.50	87%
Calf scours treatment	$19.60	0%
Deworming (one time)	$6.90	7.8%
Castration	$26.90	133.9%
C-section	$153.60	3.7%
Milk-fever treatment	$35.20	12.8%
Rectal palpation	$4.50	−4.3%

[1]Percent increase or decrease from 1990 figures.
[2]Includes clinical procedures, drugs, and merchandised products.
[3]Includes all medical work performed.
All figures are 1991 means (averages).

something to make that fee worthwhile."

Setting fees, Dr. Britt says, depends heavily on where you practice. Veterinarians in California, Arizona, New Mexico, and Texas, he says, deal with large dairies that handle many cows, so they tend to command higher fees than in the Midwest or South.

Travel costs make a difference too, especially for those practicing in less-concentrated dairy areas. For example, Dr. Britt says that in Wisconsin or Minnesota, a practitioner might not travel more than 10 miles one way; he, however, often travels as many as 300 miles into four states to see a herd. A California practitioner might travel 20 miles, but deal with six herds of 2,000 cows each.

If you charge it, they will pay

Does the economy make a difference in how much clients are willing to pay their veterinarians? Yes, says Dr. Strahm—good times spur good prices. "When the survey was taken, the dairy industry was great, the swine industry was booming, cattle prices were going tremendously," he says. "Producers will increase their use of services when veterinary medicine can make that little extra difference; they don't mind spending a dollar when they can get a reasonable return.

"I think we food animal practitioners went through those low-fee doldrums when our pride was

MANAGE YOUR PRACTICE WITH A CHART OF ACCOUNTS

By William J. Roll, CPA

Have you ever wondered how some of your colleagues can be so precise about their income and expenses? How do they know that 5 percent of their annual income comes from grooming, 5 percent from dentistry, 10 percent from food sales, and 25 percent from surgery? The answer lies in their chart of accounts.

Such a chart of accounts not only provides a detailed look at where your practice is, it can be used to steer your practice in the direction you want it to go. In fact, a good chart of accounts produces the information you need to make sound business decisions. Here's an example:

Let's say Dr. Jones, who owns a one-doctor mixed animal practice, grosses $285,000 a year. His chart of accounts consists of one income category: "Fees." He charges all of his income to fees, and splits his time 50-50 between large animal and small animal work. If Dr. Jones took a closer look at the $285,000, however, he would find that 70 percent, or $200,000, comes from small animal work, and 30 percent, or $85,000, from large animal. With this information, he might decide to raise his large animal fees, or phase out this work and concentrate on practicing only small animal medicine.

Now let's move to the State of the Art Hospital Inc., a four-doctor practice grossing $1.1 million. The veterinarians here record fees by the type of service, by the doctor who performed the service, and by the direct cost associated with the service. Their detailed chart of accounts, complete with coded categories, keeps track of each doctor's productivity, and of which services contribute most to the hospital's profits.

Of course, at the State of the Art Hospital, a computer and part-time computer operator are necessary to input the codes. Dr. Jones wouldn't require such detail; his chart of accounts could probably be maintained without a computer if his bookkeeper manually summarized each day's receipts into major income categories.

To establish a chart of accounts for your practice, talk to your accountant. Also contact AAHA, which provides a detailed chart of accounts for veterinary practices. For more information, call AAHA's Member Service Center, (800) 252-2242.

The author is a consultant and accountant in Sunbury, Pa., and a contributing financial editor.

FEES

MIXED ANIMAL PRACTITIONERS' FEES

	Fee	Percent change[1]
Total average client transaction fee[2]	$44.70	−4.7%
Office call (includes exam)	$15.00	0.7%
Lab analysis:		
Urinalysis	$10.20	**
Fecal	$7.60	18.8%
Heartworm test	$12.20	**
Feline leukemia test	$16.60	**
Vaccinations:		
Dog	$21.60	−1.8%
Cat	$20.00	1.5%
Horse	$19.70	−3.9%
Livestock	$8.20	82.2%
Farm call:		
Mileage charge (cents per mile)	$0.95	−5%
Exam charge per animal	$15.20	35.7%
Average total charge per animal[3]	$37.80	24.3%

	Fee	Percent change[1]
Hospitalization (including daily exam and boarding):		
30-lb dog	$12.70	30.9%
8-lb cat	$14.30	68.2%
Bovine	$10.30	−1.9%
Equine	$15.70	34.2%
Daily boarding:		
30-lb dog	$6.70	11.7%
8-lb cat	$5.80	18.4%
Ovariohysterectomy (inc. anesthesia and hosp.):		
30-lb dog	$61.80	5.6%
8-lb cat	$48.60	5%
Diagnostic X-ray series (including sedation:)		
2 or fewer films	$38.30	−2%
3–6 films	$65.00	11.7%

[1]Percent increase or decrease from 1990 figures.
[2]Includes clinical procedures, drugs, and merchandised products.
[3]Includes all medical work performed.
All figures are 1991 means (averages).
**Not available.

low. When we finally saw we were our own worst enemies, we realized the need to charge a fee that fit the service we rendered. It's a slow process getting into the situation where you can charge what you're worth. I think the public thinks more of us sometimes than we think of ourselves. The limitations are within us, in many instances," he says.

"To be honest," Dr. Strahm continues, "I've had a lot more people respond that they thought my fee would be more than it was than have responded the other way. That's scary. That means you ought to be pinching yourself."

Dr. Strahm says that large animal practitioners must be sensitive to their industry and the economy in their area. He doesn't recommend, however, that you roll back fees when beef or dairy prices go flat. "In this part of Oklahoma, our economy has been terrible for a long time," he says. "Beef prices were good until about two weeks ago, but that didn't mean beef producers were making any money."

In order to remain in control, Dr. Strahm recommends that practitioners evaluate their fees at least twice a year. "With computers, you can get that information very quickly," he says. "You just need to see where the pattern's going and be ready to respond when it's necessary."

As an extra tactic to protect his accounts receivable, Dr. Britt instituted an incentive program for clients. Those who pay on the day the service is rendered get a 5-percent discount. A client can achieve as much as a 20-percent discount by buying medications in volume and paying on the day of service.

Billable hours

What's the most important statistic for tracking productivity? Dr. Britt says it's billable hours. "We're much more profitable to our practice and to the farmer if we spend two or three hours per farm on three farms a day rather than trying to make 15 calls and spending 20 minutes on each farm," he says.

Dr. Britt adds that it's important to charge for *all* of these hours. "Most of us put in eight to 15 hours a day, but many of us are not billing for the amount of time we spend driving, or for doing work at the office." If too many hours are slipping through the cracks, he adds, it's time to be more specific about itemizing what you do and charging for it.

"In our practice, we bill for all computer time at the office, for phone consults, and we try to collect some type of fee any time we're dealing with the client except for a casual conversation," he says. "That's the only way we can make a living, and we've met no resistance to it at all."

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